

**ELMIRA URBAN RENEWAL AGENCY**

**Elmira, New York**

**FINANCIAL REPORT**

**December 31, 2011**

ELMIRA URBAN RENEWAL AGENCY  
 TABLE OF CONTENTS  
DECEMBER 31, 2011

Independent Auditor's Report .....	1-1a
Required Supplementary Information	
Management's Discussion and Analysis .....	2-2e
 Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets .....	3
Statement of Activities .....	4
 Governmental Fund Financial Statements	
Balance Sheet - Governmental Fund .....	5
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Assets .....	6
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Fund .....	7
Reconciliation of Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities .....	8
Notes to Financial Statements .....	9-15
 Reports Required Under Government Auditing Standards	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	16-17

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Frederick J. Ciaschi, C.P.A.

INDEPENDENT AUDITOR'S REPORT

Mayor and Members of the City Council  
City of Elmira  
Elmira, New York

We have audited the accompanying financial statements of the governmental activities and fund information of the Elmira Urban Renewal Agency (the Agency) as of and for the year ended December 31, 2011, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and fund information of the Agency, as of December 31, 2011 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

During the year ended December 31, 2011, the Agency implemented Governmental Accounting Standards Board Statement Number 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2012, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 2 through 2e be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Liachni, Dietershagen, Little, Minkler & Company, LLP*

March 23, 2012  
Ithaca, New York

ELMIRA URBAN RENEWAL AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011

Our discussion and analysis of the Elmira Urban Renewal Agency's (the Agency) financial performance provides an overview of the Agency's financial activities for the fiscal year ended December 31, 2011. Please read it in conjunction with the Agency's financial statements, which begin on page 3.

### FINANCIAL HIGHLIGHTS

- The fund recorded an increase in assigned fund balance of \$268,831 in 2011 and had a total fund balance at the end of the year of \$513,756.
- The Agency's total indebtedness decreased by \$200,000 during the current fiscal year.
- The liabilities of the Agency exceeded its assets at the close of the most recent fiscal year by \$(688) (net deficit), primarily as a result of a transfer to the City of Elmira's general fund for code enforcement.
- During the year, the Agency had expenses that were \$245,613 greater than the \$25,953 generated in program and other revenues for governmental programs primarily due to a transfer to the City's general fund for code enforcement in 2011.

### USING THIS ANNUAL REPORT

This annual report consists of a series of basic financial statements. The Statement of Net Assets and the Statement of Activities (on pages 3 and 4) provide information about the Agency as a whole and present a longer-term view of the Agency's finances. Governmental Fund financial statements start on page 5. For Governmental Activities, these statements tell how these services were financed in the short term, as well as what remains for future spending. Governmental Fund financial statements also report the Agency's operations in greater detail than the government-wide financial statements by providing information about the Agency's fund. Following these statements are notes that provide additional information that is essential to a full understanding of the data provided in the financial statements.

### Reporting the Agency as a Whole

Our analysis of the Agency as a whole begins on page 3, with the government-wide financial statements. The Statement of Net Assets and the Statement of Activities report information about the Agency as a whole and about its activities in a way that helps answer the question of whether the Agency, as a whole, is better off or worse off as a result of the year's activities. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the Agency's net assets and changes in them. One can think of the Agency's net assets, the difference between assets and liabilities, as one way to measure the Agency's financial health, or financial position. Over time, increases or decreases in the Agency's net assets are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Assets and the Statement of Activities, all of the Agency's activities, which are governmental in nature, are reported in one column, including home and community services and interest on debt. Charges for services and state and federal grants finance most of these activities. The Agency is a component unit of the City of Elmira and is included as a discretely presented component unit in the City's financial statements.

ELMIRA URBAN RENEWAL AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2011

**Reporting the Agency's Fund**

**Governmental Fund Financial Statements**

Analysis of the Agency's Major Fund begins on page 5. The Governmental Fund financial statements provide detailed information about the most significant funds - not the Agency as a whole.

**Governmental Funds:** The Agency's services are reported as Governmental Funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can be readily converted to cash. The Governmental Fund financial statements provide a detailed short-term view of the Agency's general governmental operations and the basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency's programs. The relationship (or differences) between Governmental *Activities* (reported in the government-wide financial statements) and Governmental *Funds* is explained in a reconciliation following in the Governmental Fund financial statements.

**THE AGENCY AS A WHOLE**

The Agency's net assets for fiscal year ended December 31, 2011 decreased from \$244,925 to a net deficit of \$(688). This decrease is primarily due to a transfer to the City's general fund for code enforcement.

Our analysis below focuses on the net assets (Figure 1).

**Figure 1**  
**Net Assets**

	<b>Governmental Activities</b>		<b>2011 Increase (Decrease) over 2010</b>
	<b>2010</b>	<b>2011</b>	
<i>Current assets</i>	\$ 785,524	\$ 580,634	\$ (204,890)
<i>Noncurrent assets</i>	711,094	473,890	(237,204)
<b>Total assets</b>	<b>1,496,618</b>	<b>1,054,524</b>	<b>(442,094)</b>
<i>Current liabilities</i>	1,251,693	645,212	(606,481)
<i>Noncurrent liabilities</i>	-0-	410,000	410,000
<b>Total liabilities</b>	<b>1,251,693</b>	<b>1,055,212</b>	<b>(196,481)</b>
<i>Unrestricted net assets/(deficit)</i>	244,925	(688)	(245,613)
<b>Total net assets/(deficit)</b>	<b>\$ 244,925</b>	<b>\$ (688)</b>	<b>\$ (245,613)</b>

Total net assets (deficit) of the Agency's Governmental Activities decreased by 100% percent or \$(245,613), primarily due to a transfer to the City's general fund for code enforcement. Current assets decreased \$(204,890) or (26)%. The primary reason for the decrease in current assets is the decrease in the amount due from other governments. The decrease in noncurrent assets is the result of a decrease in restricted cash. Current liabilities decreased by \$(606,481) or (48)% primarily due to a decrease in short-term BANs payable of \$700,000 and an increase of \$90,000 in the current portion of bonds payable. As a result of issuing the installment bond, noncurrent liabilities increased by \$410,000.

ELMIRA URBAN RENEWAL AGENCY  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2011

The Agency's total revenues decreased by \$(426,874), or (94)%. Our analysis in Figure 2 separately considers the operations of Governmental Activities.

**Figure 2**  
**Changes in Net Assets**

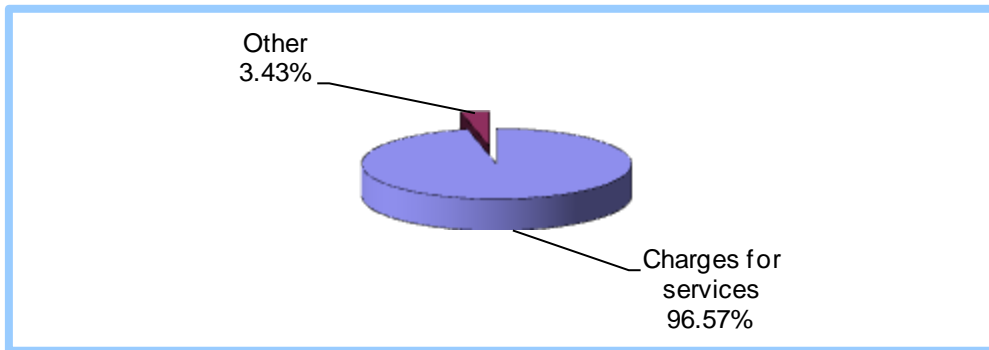
	<b>Governmental Activities</b>		<b>2011 Increase (Decrease) over 2010</b>
	<b>2010</b>	<b>2011</b>	
<i>REVENUES</i>			
<i>Program revenues:</i>			
<i>Charges for services</i>	\$ 21,602	\$ 25,063	\$ 3,461
<i>General revenues:</i>			
<i>Other</i>	431,225	890	(430,335)
<b>Total revenues</b>	<b>452,827</b>	<b>25,953</b>	<b>(426,874)</b>
<i>PROGRAM EXPENSES</i>			
<i>Home and community services</i>	85,755	253,313	167,558
<i>Interest on short-term debt</i>	17,570	18,253	683
<b>Total expenses</b>	<b>103,325</b>	<b>271,566</b>	<b>168,241</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>\$ 349,502</b>	<b>\$ (245,613)</b>	<b>\$ (595,115)</b>

Other revenues decreased by \$(430,335) compared to last year primarily due to the sale of the Hudson Street property in 2010 for \$419,777.

Overall, program expenses were \$167,558 more in 2011 than in 2010. The increase in expenses is primarily due to a transfer to the City's general fund for code enforcement.

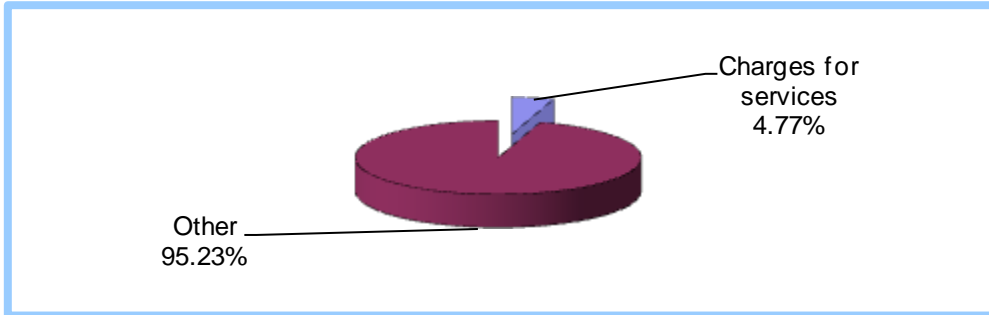
Figures 3 and 4 show revenue by source for 2011 and 2010.

**Figure 3**  
**Revenue by Source**  
**2011**



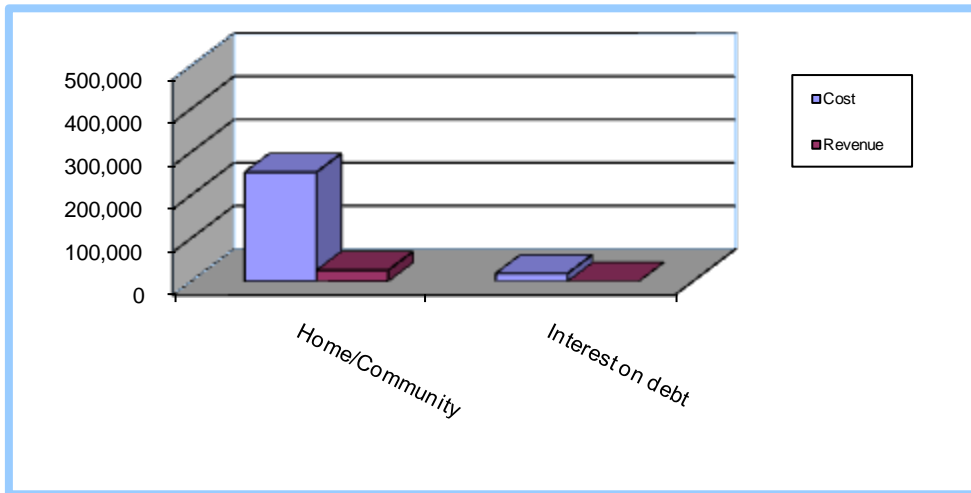
ELMIRA URBAN RENEWAL AGENCY  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2011

**Figure 4**  
**Revenue by Source**  
**2010**



The cost of all Governmental Activities this year was \$271,566. The Agency's governmental program revenues included fees for services of \$25,063. The Agency paid for the remaining portion of Governmental Activities with other revenues, interest earnings, in the amount of \$890. The total cost less revenues generated by activities, or the net cost, for each of the Agency's programs is presented below. The net cost shows the financial burden for these home and community services.

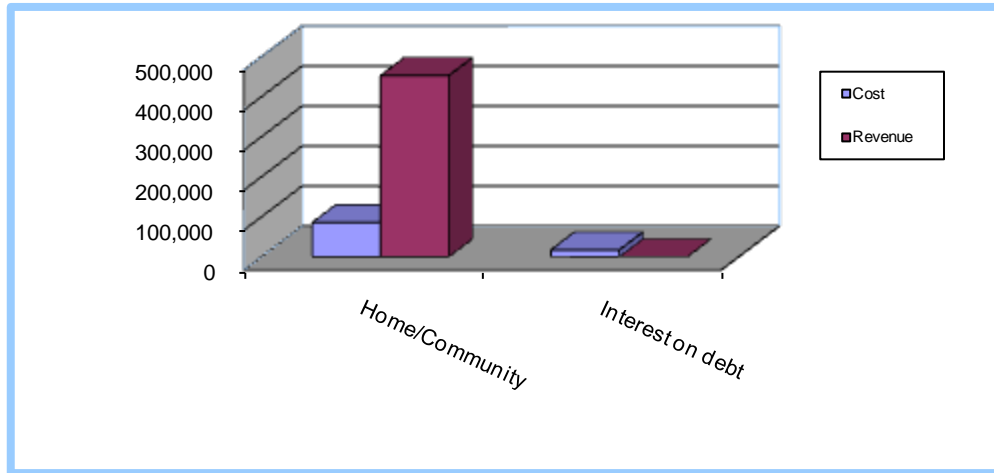
**Figure 5**  
**Net Program Cost**  
**Governmental Activities**  
**2011**





ELMIRA URBAN RENEWAL AGENCY  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2011

**Figure 6**  
**Net Program Cost**  
**Governmental Activities**  
**2010**



**THE AGENCY'S FUND**

As the Agency completed the year, its Governmental Fund, as presented in the Balance Sheet on page 5, reported a fund balance of \$513,756, which is above last year's fund balance of \$244,925.

The increase in the fund balance of \$268,831 is primarily the result of bond proceeds of \$500,000 offset by transfers to the City's General Fund of \$250,000 for home and community services.

Figure 7 shows the changes in fund balance for the year for the Agency's Governmental Fund.

**Figure 7**  
**Governmental Fund**  
**Fund Balances at Year Ending**

			<b>2011 Increase over 2010</b>
	<b>2010</b>	<b>2011</b>	
<i>Special Revenue Fund</i>	\$ 244,925	\$ 513,756	\$ 268,831
<b>Totals</b>	<b>\$ 244,925</b>	<b>\$ 513,756</b>	<b>\$ 268,831</b>

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The Agency has no material capital assets.

ELMIRA URBAN RENEWAL AGENCY  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2011

**Debt Administration**

The Agency's short-term debt decreased by \$(700,000), while its long-term debt increased by \$500,000, bringing total debt to \$500,000 as of December 31, 2011, as shown in Figure 8.

**Figure 8**  
**Major Outstanding Debt at Year Ending**

	<b>Governmental Activities</b>		<b>2011 (Decrease) Increase over 2010</b>
	<b>2010</b>	<b>2011</b>	
Bond Anticipation Notes	\$ 700,000	\$ -0-	\$ (700,000)
Statutory Installment Bond	-0-	500,000	500,000
<b>Totals</b>	<b>\$ 700,000</b>	<b>\$ 500,000</b>	<b>\$ (200,000)</b>

**FUTURE FACTORS**

**Hudson Street Redevelopment**

The Hudson Street site has been successfully marketed for development. In February 2010, Aldi's purchased 2.007 acres to build an approximately 15,000 square foot retail store on the site which opened in June 2010. The Elmira Urban Renewal Agency received \$377,000 from the sale of the site. The Elmira Urban Renewal Agency signed a Development Option Agreement with 3107 Group, LLC on December 28, 2011 for \$175,000 for the remaining 1.298 acres to construct a Family Dollar; the project is anticipated to go before the City's Planning Commission in spring 2012.

**CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the Elmira Urban Renewal Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the City of Elmira Chamberlain's office, at 317 East Church Street, Elmira, NY 14901.

ELMIRA URBAN RENEWAL AGENCY  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2011

**ASSETS**

Current Assets:	
Cash and cash equivalents, unrestricted	\$ 39,866
Other receivables, net	<u>498,914</u>
Loans receivable	<u>41,854</u>
Total Current Assets	<u>580,634</u>
Noncurrent Assets:	
Restricted cash and cash equivalents	<u>473,890</u>
Total Noncurrent Assets	<u>473,890</u>
Total Assets	<u>1,054,524</u>

**LIABILITIES**

Current Liabilities:	
Interest payable	<u>14,444</u>
Deferred revenue	<u>540,768</u>
Current portion of long-term liabilities:	
Bonds payable	<u>90,000</u>
Total Current Liabilities	<u>645,212</u>
Noncurrent Portion of Long-term Liabilities:	
Bonds payable	<u>410,000</u>
Total Noncurrent Liabilities	<u>410,000</u>
Total Liabilities	<u>1,055,212</u>

**NET ASSETS**

Unrestricted net (deficit)	<u>(688)</u>
Total Net (Deficit)	<u>\$ (688)</u>

See Independent Auditor's Report and Notes to Financial Statements

ELMIRA URBAN RENEWAL AGENCY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
<b><u>FUNCTIONS/PROGRAMS</u></b>			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities:					
Home and community services	\$ 253,313	\$ 25,063	\$ _____	\$ _____	\$ (228,250)
Interest on debt	<u>18,253</u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>(18,253)</u>
 Total Governmental Activities	 <u>\$ 271,566</u>	 <u>\$ 25,063</u>	 <u>\$ -0-</u>	 <u>\$ -0-</u>	 <u>(246,503)</u>
 <b><u>GENERAL REVENUES</u></b>					
Use of money and property					<u>890</u>
Total General Revenues					<u>890</u>
Change in Net Assets					<u>(245,613)</u>
Net Assets - Beginning of Year					<u>244,925</u>
Net (Deficit) - Ending of Year					<u>\$ (688)</u>

See Independent Auditor's Report and Notes to Financial Statements

ELMIRA URBAN RENEWAL AGENCY  
 BALANCE SHEET  
 GOVERNMENTAL FUND  
DECEMBER 31, 2011

<b><u>ASSETS</u></b>	<u>Special Revenue Fund</u>
Assets:	
Cash and cash equivalents - Unrestricted	\$ 39,866
- Restricted	<u>473,890</u>
Other receivables, net	<u>498,914</u>
Loans receivable	<u>41,854</u>
Total Assets	<u>\$ 1,054,524</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>	
Liabilities:	
Deferred revenue	\$ 540,768
Total Liabilities	<u>540,768</u>
Fund Balance:	
Restricted	<u>513,756</u>
Total Fund Balance	<u>513,756</u>
Total Liabilities and Fund Balance	<u>\$ 1,054,524</u>

See Independent Auditor's Report and Notes to Financial Statements

ELMIRA URBAN RENEWAL AGENCY  
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
DECEMBER 31, 2011

Total Governmental Fund Balance \$ 513,756

Amounts reported for Governmental Activities in the Statement of Net Assets are different because:

Certain accrued expenses reported in the Statement of Net Assets do not require the use of current financial resources and, therefore, are not reported as liabilities in Governmental Funds.

Accrued interest payable \$ (14,444)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable (500,000)

Net (Deficit) of Governmental Activities \$ (688)

See Independent Auditor's Report and Notes to Financial Statements

ELMIRA URBAN RENEWAL AGENCY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Special Revenue Fund</u>
<b><u>REVENUES</u></b>	
Departmental income	\$ <u>25,063</u>
Use of money and property	<u>890</u>
Total Revenues	<u>25,953</u>
 <b><u>EXPENDITURES</u></b>	
Current:	
Home and community services	<u>3,313</u>
Debt service:	
Principal	<u>200,000</u>
Interest	<u>3,809</u>
Total Expenditures	<u>207,122</u>
 Excess of (Expenditures)	 <u>(181,169)</u>
 <b><u>OTHER FINANCING SOURCES (USES)</u></b>	
Interfund transfers (out)	<u>(250,000)</u>
Issuance of debt	<u>500,000</u>
BANS redeemed from appropriations	<u>200,000</u>
Total Other Financing Sources	<u>450,000</u>
 Net Changes in Fund Balance	 <u>268,831</u>
 Fund Balance, Beginning	 <u>244,925</u>
 Fund Balance, Ending	 <u>\$ 513,756</u>

See Independent Auditor's Report and Notes to Financial Statements

ELMIRA URBAN RENEWAL AGENCY  
 RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011

Net Change in Fund Balance - Total Governmental Fund \$ 268,831

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which repayment of debt principal exceeded issuance of new debt and BANs redeemed from appropriations.

Proceeds of debt	\$ (500,000)	
BANs redeemed from appropriations	(200,000)	
Principal payments	<u>200,000</u>	<u>(500,000)</u>

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in Governmental Funds.

(Increase) in accrued interest payable (14,444)

Change in Net Assets of Governmental Activities \$ (245,613)

See Independent Auditor's Report and Notes to Financial Statements



ELMIRA URBAN RENEWAL AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

Note 1 - Summary of Significant Accounting Policies

The basic financial statements of the Elmira Urban Renewal Agency (the Agency) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The Elmira Urban Renewal Agency is a public benefit corporation established in 1966 by special act of the State Legislature to carry out municipal urban renewal programs generally funded by federal grants. In 1974, this agency was also designated as the Community Development Agency responsible for administering federal community development block grants on behalf of the City of Elmira. The Agency is governed by a Board of Commissioners comprised of the Mayor and City Council members. The City Manger services in an ex-officio capacity and the Community Development Director serves as the Secretary. The City is ultimately responsible for the proper disposition of grant funds and any debt incurred by the Agency. Because of the close governing, administrative, and financial relationship with the City, the Agency is considered to be a component unit of the City of Elmira for financial reporting purposes, and the Agency's financial information presented here is to be presented within the City's financial statements as of December 31, 2011 and for the year then ended.

B. Basic Financial Statements

The Agency's basic financial statements include both Government-wide (reporting the Agency as a whole) and Governmental Fund financial statements (reporting the Agency's Major Fund). Both the Government-wide and Governmental Fund financial statements categorize primary activities as either Governmental or Business-type. The Agency's home and community services are classified as Governmental Activities. The Agency has no Business-type Activities.

1. Government-wide Financial Statements

The Government-wide financial statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of activities for the Agency. This Government-wide focus is more on the sustainability of the Agency as an entity and the change in the Agency's net assets resulting from the current year's activities.

In the government-wide Statement of Net Assets, the Governmental Activities column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Agency's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Agency first utilizes restricted resources to finance qualifying activities.

The Statement of Activities reports both the gross and net cost for each of the Agency's functions or programs. Gross expenses are direct expenses, including depreciation, specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. These expenses are offset by program revenues - charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the program or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Agency, with certain limited exceptions. The net cost represents the extent to which each function or program is self-financing or draws from the general revenues of the City.

ELMIRA URBAN RENEWAL AGENCY  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2011

The financial transactions of the Agency are reported in an individual fund in the Governmental Fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures or expenses. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The Agency records its transactions in the funds described below:

a. Governmental Funds:

Governmental Funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources, and the related liabilities are accounted for through Governmental Funds. The measurement focus of the Governmental Funds is based upon determination of financial position and changes in financial position. The following is the Agency's Governmental Fund:

1) Special Revenue Fund

Accounts for the proceeds of specific revenue sources legally restricted to expenditures for specified purposes. The following Special Revenue Fund is reported as a Major Fund:

Urban Renewal Fund - Used to account for monies distributed by the federal government and expended pursuant to rules and regulations as set forth by the Department of Housing and Urban Development and other federal agencies and for related program income and charges for services.

C. Basis of Accounting/Measurement Focus

Basis of accounting refers to when revenues and expenditures and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured, i.e. expenditures or expenses.

1. Accrual Basis

The Government-wide financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly all of the Agency's assets and liabilities, including capital assets, as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual Basis

Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Material revenues that are accrued include state and federal aid and certain user charges. All other revenues deemed collectible within one year after year end are recognized as revenues in the current year.

ELMIRA URBAN RENEWAL AGENCY  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2011

If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made. Expenditures are recorded when incurred. The cost of capital assets is recognized as an expenditure when received.

D. Deferred Revenues

The Agency reports deferred revenues on its Statement of Net Assets and its Balance Sheet. On the Statement of Net Assets, deferred revenue arises when resources are received by the Agency before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the Agency has legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized. On the Balance Sheet, deferred revenue arises when potential revenue does not also meet the measurable and available criteria for recognition in the current period. In subsequent periods, when both recognition criteria are met, the liability for deferred revenue is removed and revenue is recognized in the fund financial statements.

E. Cash and Cash Equivalents

For financial statement purposes, cash on hand, demand deposits, and all highly liquid investments of three months or less are considered as cash equivalents. Agency monies must be deposited in Federal Deposit Insurance Corporation (FDIC)-insured commercial banks or trust companies that are designated as official depositories of the City. The Agency is authorized to use demand accounts and certificates of deposit.

F. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

G. Equity Classifications

1. Government-wide Financial Statements

Equity is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets - Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets - Consists of all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

ELMIRA URBAN RENEWAL AGENCY  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2011

2. Governmental Fund Financial Statements

In the year ending December 31, 2011, the Agency implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." Statement No. 54 changes the terminology and classification of fund balance to reflect spending constraints on resources, rather than availability for appropriation. This approach is intended to provide users more consistent and understandable information about a fund's net resources.

Constraints are broken into five classifications: nonspendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

- **Nonspendable:** Consists of assets inherently nonspendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowments principal.
- **Restricted:** Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation.
- **Committed:** Consists of amounts subject to a purpose constraint imposed by formal action of the government's highest level of decision-making authority, the Board of Education, prior to the end of the fiscal year, which requires the same level of formal action to remove said constraint.
- **Assigned:** Consists of amounts subject to a purpose constraint representing an intended use established by the government's highest level of decision-making authority, or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.
- **Unassigned:** Represents the residual classification of the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from overspending amounts restricted, committed, or assigned for specific purposes.

H. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, it is the Agency's policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements.

Certain assets are classified on the balance sheet as restricted because their use is limited. The proceeds of bond and note sales can only be used for the stated purpose of the borrowing. Community Development Block Grant Funds must be used only for approved programs.

ELMIRA URBAN RENEWAL AGENCY  
 NOTES TO FINANCIAL STATEMENTS  
 (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2011

Note 2 - Detail Notes

A. Cash and Cash Equivalents

The Agency's investment policies are governed by State statutes. In addition, the Agency follows the City's own written investment policy. Agency monies must be deposited in FDIC insured commercial banks or trust companies located within the State that are designated as official depositories of the City. The Agency is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the United States Treasury, United States Agencies where payment of principal and interest are guaranteed by the United States, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit. Deposits must be fully secured by insurance of the FDIC or by obligations pledged as collateral which must be obligations of the United States and its agencies, or obligations of the State or its municipalities. Collateral must be delivered to the Agency or a custodial bank with which the Agency has entered into a written custodial agreement. The agreement outlines the basic responsibilities of the bank for securities pledged to secure time deposits. The custodial agreement provides collateral securities are held separate from the assets of the custodial bank; the custodian takes possession of the securities exclusively for the Agency; the securities are free of any claims against the trading bank; and any claims of the custodian are subordinate to the claims of the local government.

The written investment policy requires that repurchase agreements be purchased from banks located within the State and that underlying securities must be obligations of the Federal government. Underlying securities must have a market value of at least 100 percent of the cost of the repurchase agreement.

Deposits and investments are valued at cost plus accrued interest.

The Agency's total financial institution (bank) balances at December 31, 2011, were \$513,756, with a carrying value of \$513,756. Deposits at year end were entirely covered by federal deposit insurance or collateralized with securities held by the pledging financial institution's trust department or agent in the Agency's name.

B. Receivables

Other receivables at December 31, 2011 are as follows:

West Water Street Redevelopment Project	\$	200,000
Riverside Suites Project		297,914
Other accounts receivable		<u>1,000</u>
Total Other Receivables	\$	<u><u>498,914</u></u>

Loans receivable of \$41,854 consists of a program loan which includes principal and accrued interest receivable. No allowance is recorded as management believes the loan to be fully collectible.

ELMIRA URBAN RENEWAL AGENCY  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2011

C. Liabilities

1. Short-term Debt

Liabilities for Bond Anticipation Notes (BANs) are generally issued to fund various improvements. Principal payments on BANs must be made annually.

The notes or renewal thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within each 12 month period thereafter. State law requires BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided stipulated annual reductions of principal are made.

In July 2010, the Urban Renewal Agency redeemed \$700,000 of BANs at an interest rate of 1.58% and maturity date of July 1, 2011. BAN activity during the year is summarized as follows:

	Payable at 01/01/11	Additions	Deletions	Payable at 12/31/11
Bond Anticipation Notes	\$ 700,000	\$ -0-	\$ 700,000	\$ -0-

Interest expense on short-term debt is calculated as follows:

Interest paid	\$ 3,809
Less interest accrued at December 31, 2010	-0-
Add interest accrued at December 31, 2011	-0-
Interest Expense	\$ 3,809

2. Long-term Debt

a. Installment Bonds Debt

The Agency borrows money in order to carry out various projects or improvements. This enables the cost of these projects or improvements to be borne by the present and future taxpayers receiving the benefit of the projects or improvements.

b. Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended December 31, 2011:

	Payable at 01/01/11	Additions	Deletions	Payable at 12/31/11	Amount Due Within One Year
Installment Bond	\$ -0-	\$ 500,000	\$ -0-	\$ 500,000	\$ 90,000
Total	\$ -0-	\$ 500,000	\$ -0-	\$ 500,000	\$ 90,000

ELMIRA URBAN RENEWAL AGENCY  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2011

c. Summary of Installment Bonds

As of December 31, 2011, Installment Bonds, including issue and maturity dates and interest rates, consisted of the following:

<u>Description of Issue</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Payable to Maturity</u>
2011 Statutory Installment Bond	05/2011	09/2016	3.250%	\$ 500,000
Total Serial Bonds				<u>\$ 500,000</u>

d. Future Debt Service Requirements

The following tables summarize the Agency's future debt service requirements as of December 31, 2011:

<u>Year</u>	<u>Installment Bond</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 90,000	\$ 21,667
2013	100,000	13,325
2014	100,000	10,075
2015	105,000	6,825
2016	<u>105,000</u>	<u>3,412</u>
Total	<u>\$ 500,000</u>	<u>\$ 55,304</u>

Interest expense on long-term debt is calculated as follows:

Interest paid	\$ -0-
Less interest accrued at December 31, 2010	-0-
Add interest accrued at December 31, 2011	<u>14,444</u>
Interest Expense	<u>\$ 14,444</u>

Note 3 - Summary of Significant Commitments and Contingencies

A. State and Federally Assisted Programs

The Agency receives many different state and federal grants to be used for specific purposes. These grants are generally conditioned on compliance with certain statutory, regulatory, and/or contractual requirements. The Agency makes every effort to comply with all applicable requirements. However, because these grants are audited from time to time, it is possible the Agency will be required, upon audit, to repay portions of the grant monies received and recorded as revenue in a prior year. Agency officials do not anticipate material grant-in-aid disallowances, and no provision, therefore, is reflected in the basic financial statements.

Note 4 - Related Party Transactions

As described in Note 1.A., the Agency is considered to be a component unit of the City of Elmira for financial reporting purposes. During the year, the Agency transferred \$250,000 to the City for code enforcement.

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Lesley L. Horner, C.P.A.  
D. Leslie Spurgin, C.P.A.

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**Ciaschi • Dietershagen • Little • Mickelson  
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*Certified Public Accountants and Consultants*

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Frederick J. Ciaschi, C.P.A.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Mayor and Members of the City Council  
City of Elmira  
Elmira, New York

We have audited the basic financial statements of the of the governmental activities and fund information of the Elmira Urban Renewal Agency (the Agency) as of and for the year ended December 31, 2011, and have issued our report thereon dated March 23, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

- 16 -

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Elmira Urban Renewal Agency's management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Lisa Dietershagen, Little, Finkbeiner & Company, CPA". The signature is written in a cursive style.

March 23, 2012  
Ithaca, New York